

i, 1831, and provided for the choice of thirteen directors, who must be British subjects and holders of at least four shares each. The principle of limited liability was applied to the shareholders, without any obligation beyond the amount of their subscription to the stock, but the directors were to be liable to the stockholders as well as to the holders of banknotes in case the debts of the corporation should exceed treble the amount of the capital stock actually paid in, exclusive of the deposits. The bank was prohibited from lending on land or mortgage, but might take such property for debt contracted in the course of its legitimate dealings.

The fact that the acts passed by the provincial legislature for the incorporation of these banks were based upon the articles of agreement drawn by the incorporators made the restrictions trifling which were imposed upon the banks. There was no limit upon the volume of note issues except the general liability of the directors for the aggregate indebtedness. There was no prohibition upon loans upon the stock of the bank or upon loans to directors. The fact, however, that each bank was established by a special law afforded some measure of protection against indiscriminate private banking and there was a disposition from the outset to adhere closely to Scotch methods.<sup>1</sup> An indication of this is given by the prompt establishment of branches by the Bank of Montreal at Quebec and by both the Bank of Montreal and the Bank of Canada at Kingston in the upper province. The banks received the notes of their competitors and exchanged them and settled the balances in specie as often as once a week, according to the Scotch system. The Bank of Montreal employed an agent in New York for the negotiation of sterling exchange and all the Canadian banks of importance eventually had an agent or correspondent in the American metropolis.

<sup>1</sup> Mr. R. M. Breckenridge, in his admirable work, *The Canadian Banking System*, published by the American Economic Association, from which many of these facts regarding early Canadian banking-are taken, states that among 140 odd charter members of the Bank of Montreal there were at least 90 Scotch names.